



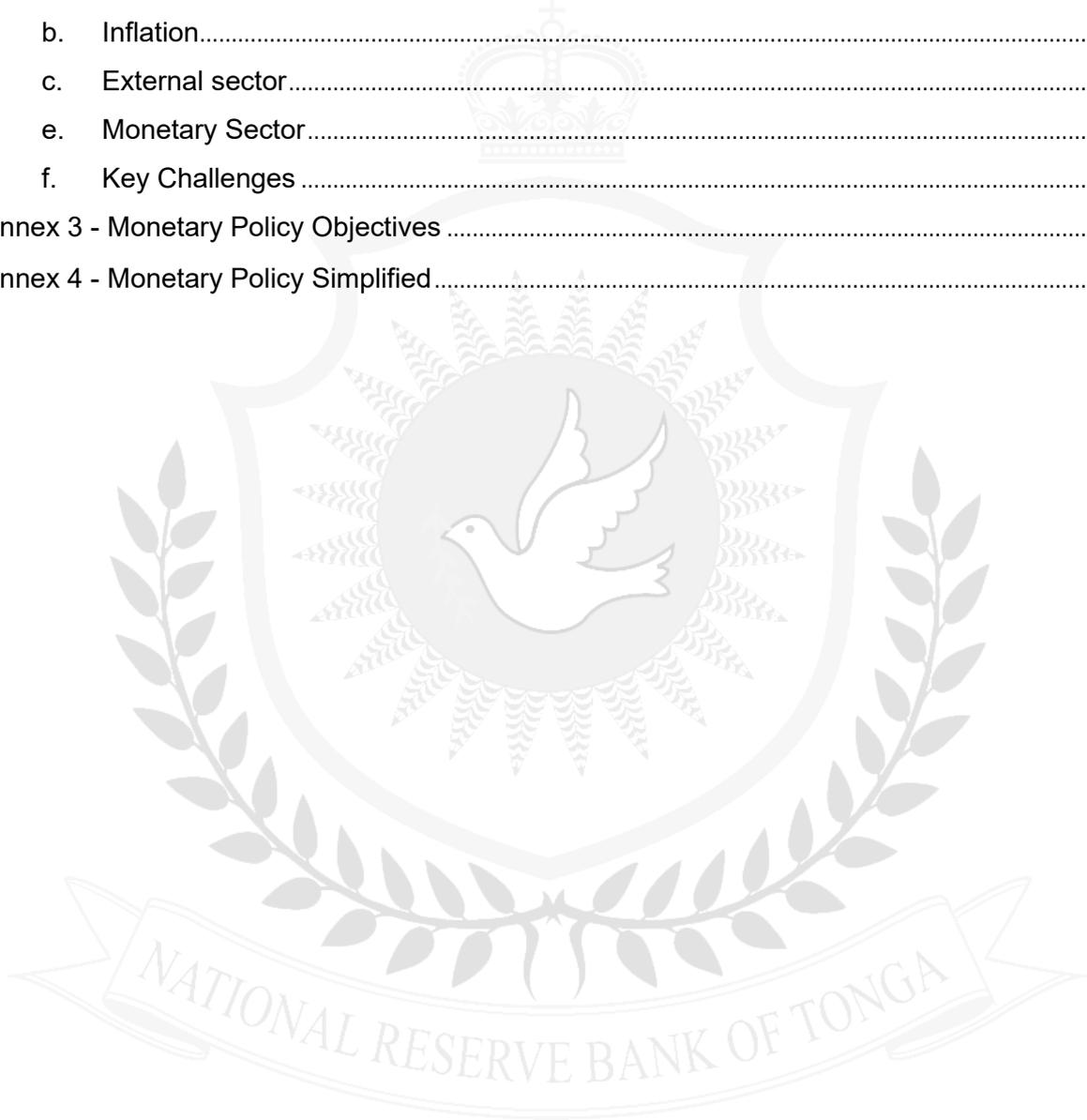
MONETARY POLICY STATEMENT

February 2026

National Reserve Bank of Tonga

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Background

Since August 2025 Monetary Policy Statement, macroeconomic conditions continued to support a gradual recovery in economic activity. GDP growth strengthened to 2.5 percent in 2025 compared to 1.7 percent a year ago.

Headline inflation moderated to 3.1 percent in December 2025, remaining below the 5 percent reference rate. However, core inflation has persisted above 10 percent over the past two quarters, signaling underlying domestic cost pressures and risks emerging second round effects in the first half of 2026. This divergence points to structural inflationary drivers which, if not addressed, could pose risks to price stability and erode household purchasing power in the near term.

The financial system remains broadly stable with banks well-capitalized. However, persistent excess liquidity remains high at around \$200 million, easing from \$300 million in August 2025. The systemic liquidity imbalance weakens monetary control over the price of money, reduces market discipline and slows the adjustment of financial conditions to remain misaligned with underlying macroeconomic needs.

Gross foreign reserves remain at a stable level, providing adequate coverage for projected import demand in the near term. However, the medium-term outlook for reserves is tilted to the downside as domestic economic activity strengthens and import demand rises. Additional pressures may arise from potential remittance headwinds, including evolving access conditions to seasonal employment programs in Australia and New Zealand, and the remittance levy introduced by the United States effective 1 January 2026.

Credit growth moderated at 3.5 percent in 2025 while foreign reserves grew strongly by 8.2%, further reinforcing the system liquidity. Despite ample funds in the banking system, credit conditions reflect a deeper structural imbalance. Lending to the productive sectors such as agriculture, tourism, manufacturing and fisheries have stagnated over the years to around 20 percent compared to 39 in 2007.

The imbalance persists even though overall private sector credit stands at over 40 percent of GDP well below regional peers such as Fiji (around 120 percent of GDP) and Samoa (over 90 percent of GDP). Anecdotal evidence suggests that liquidity is not the binding constraint, rather structural factors and limited bankable investment opportunities are restricting effective credit absorption in the domestic productive sectors.

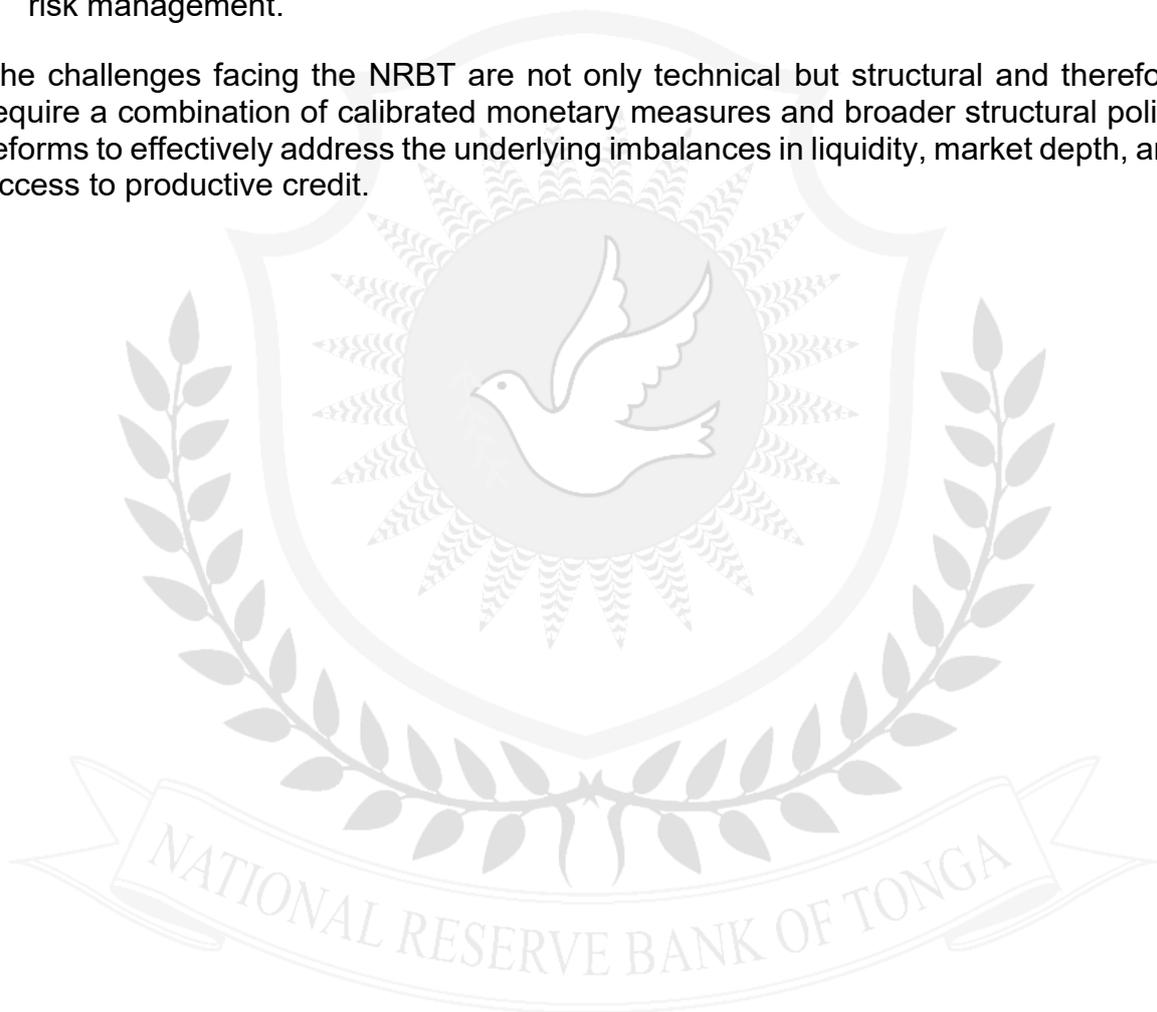
Interest rate movements remain modest, with the weighted average interest rate spread broadly unchanged at 6.1 percent in December 2025. However, non-performing loans remain elevated at 14.4 percent, above internal benchmarks necessitating continued supervisory vigilance and strengthened credit risk management.

Furthermore, rising geopolitical tensions and increasing protectionism in the global economy tilts risks to the global economy to the downside.

The new Cabinet appointed in December following the November 2025 General Election is expected to play a pivotal role in accelerating Tonga's economic growth through decisive policy reforms, strengthened private-sector support, and improved investment confidence.

- The NRBT projects a real GDP growth of 2.5% for FY2025-26, lower than the global growth of 3.3%.
- Long term growth potential remains low at 1.2%. This aligns with a highly consumptive economy at around 120% of GDP while investment is relatively low at around 28% of GDP, as well as the high private remittances fueling a large proportion of household consumption.
- Opportunities exist to enhance private sector growth and increase investment in Tonga. Going forward, credit expansion is expected to rely on fiscal measures to support private sector development to take effect, underpinned by sound banking risk management.

The challenges facing the NRBT are not only technical but structural and therefore require a combination of calibrated monetary measures and broader structural policy reforms to effectively address the underlying imbalances in liquidity, market depth, and access to productive credit.



Monetary Policy Stance

The Board of Directors has approved recommendations for NRBT to maintain its **neutral monetary policy stance** over the next six months, with the monetary policy rate at 2%. The stance will remain data-dependent, with room to tighten if inflationary pressures persist, as core inflation remains high.

The reactivation of the NRBT Notes issuance since September 2025 marks a credible transition from the passive liquidity absorption mechanisms towards a market-based monetary policy framework to help restore the effectiveness of the monetary policy framework as the foremost priority for NRBT.

The four banks' increasing participation, together with their willingness to adjust their investment limits with reinforced measures from the Ministry of Finance are already establishing the new norm of monetary policy operations in Tonga. It is proposed that NRBT reinforces its commitment to **advancing the “new normal” of its monetary operations**, anchored on regular note issuance toward full excess liquidity absorption.

In pursuit of its mandate, the NRBT hereby implements the following policy measures over the next six months:

1. **Monetary Policy:**

a. **Continue to strengthen the monetary policy transmission mechanism through enhanced liquidity management, and reactivating the interbank market** through:

- i. Maintaining the NRBT policy rate at 2% and the Interest Rate Corridor (IRC) as follows:
 - Policy Rate: 2% (mid-rate)
 - Marginal Deposit Facility (MDF): 0%
 - Marginal Lending Facility (MLS): 4%
- ii. Issuing NRBT Notes short-term at fixed rate full allotment to commercial banks at the policy rate of 2%.
- iii. Moving MOF approved time-deposits at commercial banks into a Single Treasury Account at NRBT on a gradual basis.
- iv. Continue consultations with the banks to enhance liquidity management and identify specific actions required to support interbank market activities and address factors weighing on risk appetite for NRBT notes.

b. **Maintain the Statutory Reserve Deposit at 15 percent.**

c. **Monitor the Exchange Rate Basket currency movements** to ensure the basket continues to support containing inflation through import prices and maintaining the level of foreign reserves.

2. **Financial Sector Policies:**

a. **Financial deepening.**

- i. Accelerate implementation of the National Financial Inclusion Strategy, in coordination with Government fiscal initiatives (including the

Government Development Loan II and land registry reforms), to expand safe and inclusive access to credit for viable investments in tourism, agriculture, fisheries, MSMEs, and other productive sectors.

- Promote innovative financing instruments
 - Promote digital financial services through the FinTech Regulatory Sandbox Framework
 - Develop a roadmap for inclusive green financing
- ii. Develop macroprudential policy and tools to support directing utilization of excess liquidity to productive and underserved sectors to lift the country's productive capacity while safeguarding the stability of the financial system.

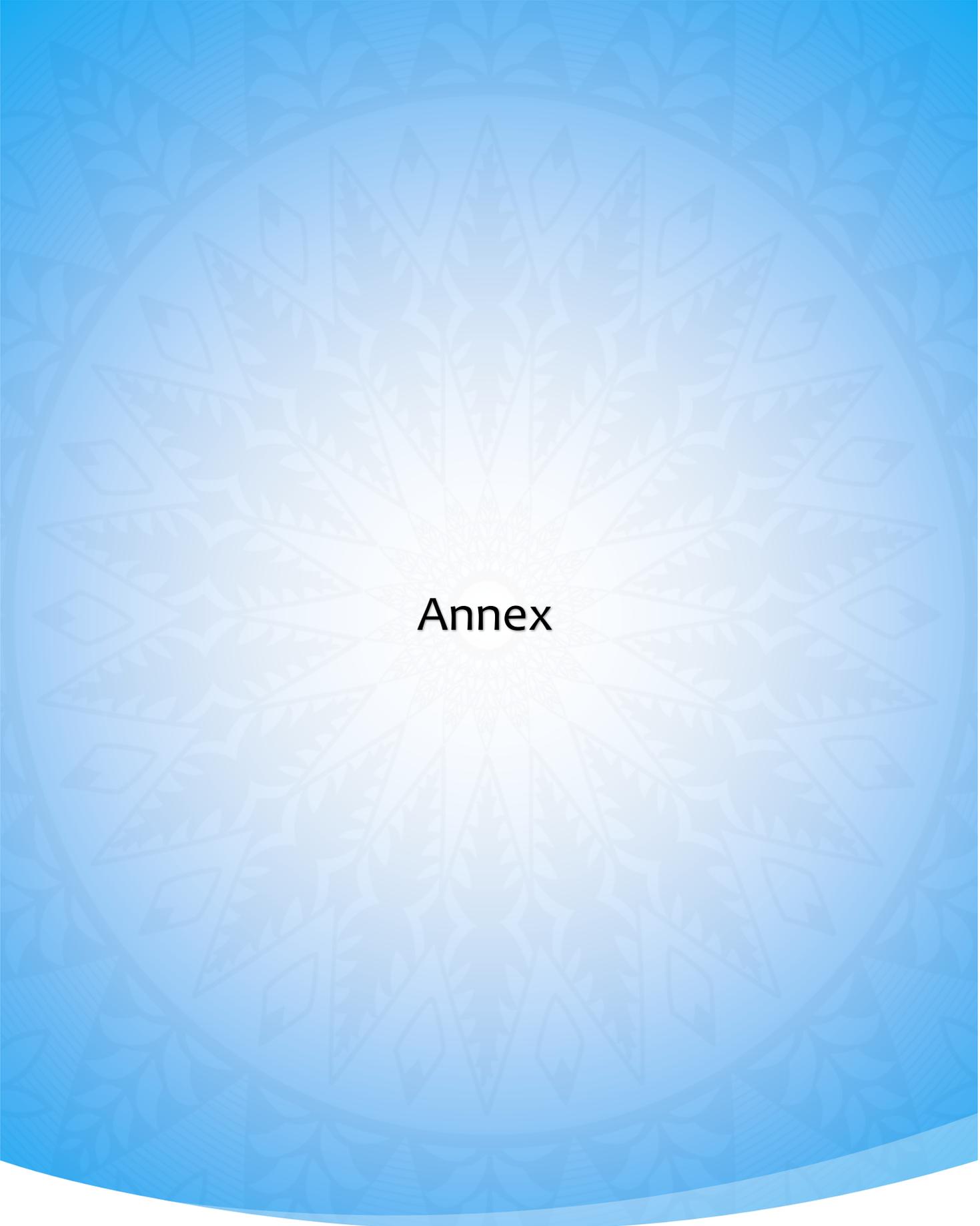
b. **Developing Tonga's Financial Sector Strategy.** The short to medium-term strategy is under preparation¹ to assist NRBT address structural gaps and credit risk constraints, deepen financial markets, strengthen resilience, and enable the economic system to more effectively support private-sector-led growth.

3. **Work Closely with the Government Fiscal Policy:**

a. **Productive Sector Structural Reforms:**

- i. Address key supply-side gaps and domestic cost drivers of price volatility, including freight and transport logistics (both domestic and outer islands).
- ii. The productive sectors are important for monetary policy transmission and more credit allocation needs to be mobilized to productive sectors by addressing structural constraints and weak project bankability, improving the pipeline of viable investments, and unlocking financing for investment and job-creating industries.
- iii. Request the Government Growth Committee to lead sector reforms, aligned with the national budget and fiscal policy, to build capacity and enable effective use of available credit.

¹ Supported and funded by a reputable international development institution to complete in 2026.



Annex

Annex 1 – Review of Monetary Policy

Modernization of the Reserve Bank’s operations to strengthen monetary policy transmission, while safeguarding internal and external stability.

Monetary Policy Actions: Since the last Monetary Policy Statement (MPS) – August 2025, the NRBT has progressed with the modernization of its monetary policy operations through the following actions:

- Implemented the interest rate corridor and set the monetary policy rate at a conventional mid-rate of 2%.
- NRBT successfully resumed issuance of 7-day Notes in September 2025, after a 16-year discontinuation (since 2009).
 - Initial uptake was modest at \$25.3 million, reflecting market adjustment to the new regime. By November 2025, bids increased to \$108.6 million following revisions to internal investment limits by one major bank.
 - Total bids stabilized at \$96.5 million in December 2025, with temporary moderation to \$68–90 million in December 2025-January 2026 before rebounding to \$110 million in the final week of January 2026.
 - This pattern confirms improving market responsiveness but is inadequate to normalize liquidity pricing through interest rate-based instruments.
- Ministry of Finance has approved to gradually migrate Government time deposits from commercial banks to the Single Treasury Account at NRBT. This complements the Notes issuance program in reducing excess liquidity in the banking system and supports more effective interest-rate signaling.
- Directly engaged with banks in order to reconcile bidding patterns with system-wide excess liquidity forecasts and to encourage review of internal investment limits where appropriate. Banks’ responsiveness is important in ensuring full allotment of NRBT notes and the pass-through of monetary policy to banks’ interest rates.
 - Following NRBT requests, two banks have increased their respective investments ceilings to participate in the Notes Issuance.
 - Banks continue to seek NRBT confirmation and long-term commitment towards the Note Issuance for certainty purposes in their investment planning.
- Established a Liquidity Forecasting Unit at NRBT to enhance liquidity management.
- Conducted a Public Communications Event with stakeholders, including the commercial banks, Government Ministries, private sector, and the media, where the NRBT presented its Monetary Policy stance and measures to be implemented.
- Reviewed the Exchange Rate Policy Framework to ensure the exchange rate basket remains representative of trade patterns and trends of foreign exchange flows and aligns with international best practices.
- The NRBT provided ongoing monetary policy advice to the Minister for Finance as and when required to ensure policy alignment and effective coordination of monetary and fiscal policies. The NRBT is also a member of inter-agency committees and jointly participates in dialogues with multilateral organizations on projects to address financial deepening and inclusion. These include the ADB’s Women SME Guarantee (“WE-LIFT”), the IFC SME Guarantee schemes, and the ADB Local Currency Bonds amongst others.

However, progress with the following measures has been minimal:

- The lack of credible and market-ready Fin-Tech solutions to be tested in the FinTech Regulatory Sandbox Framework continues to be a challenge in attempts to promote innovative digital financial services.
- Greater financial access through the Government Development Loans (GDL) is at an impasse due to continued delays in finalizing the GDL agreement.
- Critical structural reforms on the Government side to build capacity of the key productive sectors (tourism, agriculture etc.) to assist in improving Tonga's long-term growth potential as part of shared national objectives and strategies were held back.

Monetary Policy Challenges:

Monetary policy transmission has been weak due to prolonged excess liquidity and an underdeveloped domestic market. The interest rate channel for monetary policy therefore has been ineffective.

- Limited effectiveness of the Statutory Reserve Deposit (SRD).** Reliance on the SRD has had limited impact on inflation or market rates in the economy and ultimately price stability. SRD adjustments work with long lags and cannot address supply-side constraints which often are the drivers of inflation in Tonga. Tonga is a net importer and a price taker which limits exchange rate influence on prices while the interest rate channel is inactive. The absorption of liquidity by the SRD has been insufficient to activate interbank market activity.
- Sixteen years of unsterilized foreign reserves.** The NRBT last issued its Notes as part of its monetary policy tools in 2009. Since then, foreign reserves have increased by more than four times without active sterilization, leading to excess liquidity in the banking system exceeding \$300 million. This surplus liquidity weakened the interest rate channel and reduced NRBT influence over short-term rates. The long period of inaction also created uncertainty about the sustainability of renewed Notes issuance, and rebuilding the market confidence will take some time and similarly for the NRBT to get its monetary policy to meet its objectives.
- Elevated country risks and risk aversion.** Despite the 2% return on NRBT Notes compared to 0% on ESA balances, uptake by some banks remains constrained by internal exposure limits, heightened perception of country risks and competing liquidity preferences. Though there have been some upward revisions to their investment ceilings, risk aversions continue to limit full participation.
- The cost of restoring active monetary policy.** Sterilizing excess liquidity through Notes issuance carries cost. However, reactivating the interbank market, strengthening the interest rate corridor and restoring policy signaling credibility are necessary investments in macroeconomic stability and are part of the public duty of NRBT. The cost of inaction would be significantly higher, which has been discussed already when adopting the shift to modernization of monetary policy.
- Monetary policy is complex and often misunderstood.** The fast-evolving financial landscape is complex and requires effective communication across different levels of stakeholders to prevent policy misalignment and ensure effective implementation.
- Policy Coordination Without Compromising Autonomy.** Monetary policy alone cannot address the supply side of inflation where the Government fiscal policy must

play its role to ensure productivity, infrastructure and market development. This coordination is essential while preserving NRBT's operational independence.

- g) **Weak Credit Allocation to Productive Sectors.** Despite high liquidity, credit is not flowing efficiently into productive investments. Credit to firms declined from 39 percent of GDP in 2007 to approximately 20 percent in subsequent years². In contrast, households credit increased from 13 percent of GDP in 2007 to 22 percent in 2024. Resources are often diverted to reconstruction rather than long-term development needs. The share of young firms is low at 17 percent and only 30 percent is invested in fixed assets, significantly lower than peer countries³. These private sector investors mostly use their own capital given limited access to credit.
- h) **Underdeveloped domestic capital market.** The absence of diversified domestic investment instruments constrains liquidity allocation. Government bonds are issued irregularly and only in the primary market, often oversubscribed until the issues from the last quarter of 2025 to the first quarter of 2026 where Government bond issues were undersubscribed. Limited fixed-income options contribute to capital outflows and weak domestic market depth. The reintroduction of NRBT Notes provides a market-based instrument to absorb liquidity and encourage more competitive deposit pricing.
- i) **Sources of excess liquidity.** Excess liquidity is reinforced by structural factors (i) Official project funds deposited at the commercial banks contribute to the excess liquidity while project execution remains gradual, (ii) depresses deposit rates and adds to funding distortions, and (iii) the move toward NRBT Single Treasury account within the NRBT will help reduce this liquidity overhang.

Monetary Outcomes: During the review period, the monetary outcomes are as follows:

- a) The reactivation of NRBT Notes issuance whilst in its early days marks a successful transition from passive liquidity absorption mechanisms to a market-based monetary policy framework. Participation trends, growing bid volumes, and active adjustments of internal investment limits by banks confirm that interest rate signals are becoming the primary tool for liquidity management, establishing the new norm of monetary policy operations.
- b) Though headline inflation remained below the 5 percent reference rate since August 2025, recording 3.1 percent in December 2025, core inflation remained persistently high. Core inflation tipped above 10 percent in July 2025 before retreating to 9.0 percent in October. However, it rebounded strongly in November 2025 to 12.2 percent before easing again in December 2025. The lingering high core inflation and the slow rate of disinflation are concerning as it may contribute to headline inflation rising above the reference rate.
- c) Foreign reserves increased by 4.0% percent (\$36.7 million) since the last MPS to \$961.7 million in December 2025, equivalent to 11.2 months of import cover. This was supported by inflows of foreign aid, budget support funds from development partners, and remittances. At the same time, the nominal and real effective exchange rates have increased by 0.7% and 3.3%, respectively, reflecting a general strengthening of the Tongan pa'anga against its major trading currencies.

² Financial Deepening in Tonga, IMF AIV, November 2025.

³ Tonga Growth and Jobs Report 2025, World Bank, January 2026.

- d) The stability of the financial system is maintained with adequate capital provisions and comfortable liquidity levels. The commercial banks started buying NRBT notes in September 2025 totalling \$25.3 million as part of the NRBT liquidity management. It increased to \$108.6 million in November 2025, after one bank adjusted its investment ceiling limit, before settling at an average of \$96.5 million in December 2025. Excess liquidity in the financial system before the notes issuance was estimated at \$280.9 million in December 2025. Thus, the participation in the Notes issuance was still insufficient to achieve the full allotment objectives of the NRBT and to activate the interbank lending market. The NRBT continues to work with two commercial banks on increasing their internal limits for participating in the issuances to strengthen monetary policy transmission.
- e) Annual credit growth of 3.5% was recorded in the year to December 2025, driven mainly by increases in household lending. The loans to deposit ratio stood at 59.6% in December 2025 compared to 59.3% in June 2025. However, the ratio of non-performing loans (NPL) to total loans remained high at 14.4% above the internal benchmark.
- f) This interest rate spread rose marginally by 6.6 basis points in December 2025 to 6.1%, compared to June 2025. This owes largely to an increase in the weighted average lending rate by 8.7 basis points to 7.6%. This was partially offset by the 2.1 basis points increase in weighted average deposit rate to 1.5%.
- g) NRBT's GDP growth estimate for FY2024-25 is revised down from 2.6% to 2.5% due to revised figures for project implementation.

Outlook:

- a) Improvement in the supply of food and energy has kept headline inflation low. However, temporary inflation pressure is anticipated during the first half of 2026 that may push the headline inflation above the 5% reference rate. Core inflation has been persistently high, and it is expected that it will take longer to converge with headline inflation. The continual outflow of the labour force to Australia and New Zealand on seasonal work programs continue to put pressure on local wages. Development of human resources and addressing the declining labour participation rate is needed to stem wage pressures on inflation.
- b) The role of the domestic cost factors plays an inflationary secondary role⁴ even when prices are considered across time between 2016 and 2024⁵. This analysis concluded that significant impacts on inflation from a taxation perspective would only occur in the event of a structural change in the Consumption Tax rate itself.
- c) Foreign reserves are projected to remain above the minimum thresholds in the near term, supported by steady inflows of budget support, official grants, and remittances. Meanwhile, import payments are expected to rise in line with the economic recovery. However, the medium-term outlook is uncertain.
- d) Remittances may take a hit with seasonal work programs now being offered on a more global scale rather than just targeting the Pacific region including Tonga. Implementations of US policies, such as the 1% levy on remittances and the repatriation of undocumented immigrants may also dampen the level of remittance

⁴ NRBT Economics Department Working Paper26-01, Cost Structure of Selected Imported Goods in Tonga, Assessment of Pricing Structures in Imports, January 2026.

⁵ NRBT Economics Department Working Paper26-01, A Time Price Perspective on Inflation, Comparing the Real Cost of Consumer Goods in Tonga 2016 - 2024, , January 2026

inflows to Tonga. Unsterilised liquidity also pose risk to the outlook on the foreign reserves.

- e) Positive credit growth is anticipated in the short run, in line with the initiatives to promote access to finance and the Government's policies for private sector development. Vulnerabilities to asset quality continue to be managed through effective oversight and prudent management measures.
- f) The issuance of the NRBT notes has mopped up some of the excess liquidity in the financial system, but more needs to be done for the interbank market to be reactivated and for the pass through of the policy rate to interest rates.
- g) GDP is forecasted to grow by 2.6% during FY2025-26 and 2.0% in FY2026-27, underpinned by delayed construction projects and continued recovery in the agriculture and tourism sectors. The Government's focus on private sector development is also expected to boost investment and consumption.

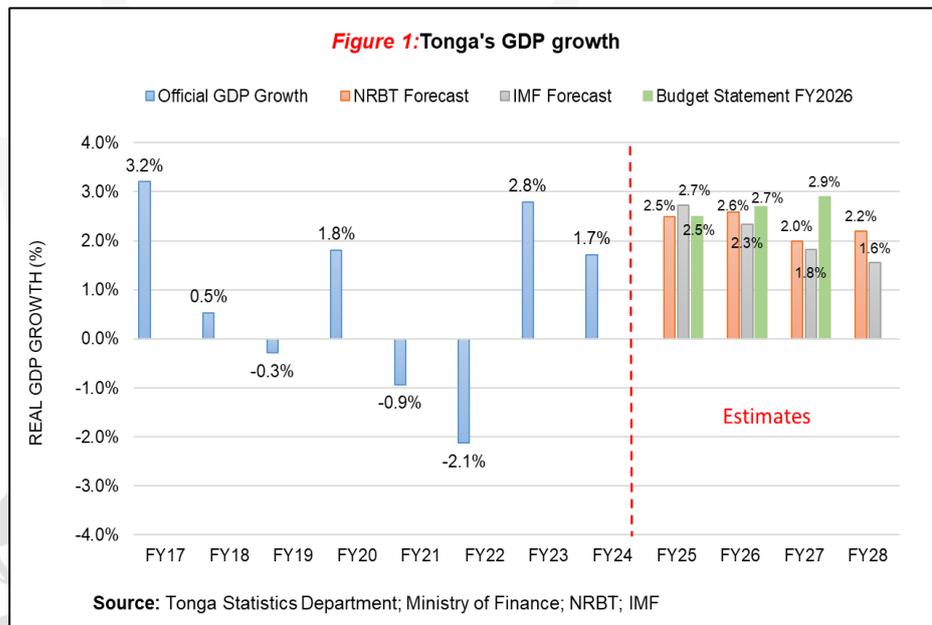


Annex 2 - Economic and Financial Developments

a. GDP Growth

Tonga’s economic prospects remain positive, supported by favorable momentum across both public and private sectors. The National Reserve Bank of Tonga (NRBT) estimates GDP growth of 2.5% for FY2025, a slight downward revision from the 2.6% forecast in its August 2025 Monetary Policy Statement (MPS). This adjustment reflects delays in major public projects. Within the Pacific region, the World Bank’s Global Economic Prospects report highlights varied trajectories. Samoa is estimated to expand by 4.2% in FY2025, Fiji by 2.8% in 2025, and Papua New Guinea by a stronger 4.7% in 2025. In contrast, Tonga’s growth outlook remains more moderate, with forecasts of 2.7% in FY2025 and 2.3% in FY2026. At the global level, the IMF projects growth in its January 2026 World Economic Outlook Update at 3.3% in 2026 and 3.2% in 2027.

NRBT is forecasting a growth of 2.6% for FY2026, supported by strong consumer spending anticipated for the upcoming months of festivities and modest expansion in the construction sector. This is an upward revision



from 2.5% growth forecasted in August 2025 MPS. The new Government administration indicates its commitment to the Budget Statement FY2026, reinforcing confidence among private sector stakeholders. Increased activity from businesses, churches, communities, and households, through both private and national events, continues to stimulate trade and recreational services, further strengthening domestic demand.

Strong remittance inflows continue to underpin household consumption and banking liquidity, underscoring the need to ensure these resources are channeled into productive investment. However, Tonga’s heavy reliance on remittances poses risks of dependency, and the sustainability of this support hinges on broader global policy developments such as the US imposition of 1% levy on remittances from the United States, and returning undocumented Tongan nationals from the United States, Australia and New Zealand globalizing new entrants to the seasonal employment schemes ring-fenced for the Pacific adding further vulnerability to the country’s economic dynamics.

The NRBT Working Paper Remittance Loss Projections⁶ attached in *Annex 5* provides some guidance on the immediate fiscal risk and systemic exposure.

Tonga Statistics Department published its National Accounts Statistics Bulletin for the 2023–2024 financial year in October 2025, reporting that Tonga’s economy expanded by 1.7%. This outcome is slightly below the 1.8% growth projected in August 2025 MPS, and lower than the 2.8% growth in FY2023 (revised upward from 2.1%). Economic growth in FY2024 was primarily driven by the industrial sector, reflecting major public infrastructure projects, private commercial developments, and non-residential construction activity. The services sector also contributed positively, which was, however, followed by a contraction in the primary sector influenced primarily by the adverse effects of the El Nino event.

Economic activity recorded mixed but generally positive outcomes during the July–December 2025 period. Growth was supported by stronger agricultural exports, steady construction activity associated with major public infrastructure projects, and continued resilience in services and labor mobility, which sustained household incomes through remittances and travel receipts. These gains were partly offset by weaker marine exports and softer trade-related services. Overall momentum was sustained by domestic demand and external inflows, although uneven sectoral performance continued to highlight underlying structural vulnerabilities.

Agricultural activity strengthened over the review period (July 2025 to December 2025), driven by a rebound in export performance toward the latter part of the year. Export volumes rose to 4,938.9 tonnes, a 41.6% increase, reflecting improved production and harvest outcomes, impacts of previous development initiatives, favorable weather conditions, and stronger external demand. Export earnings expanded sharply to \$4.7 million, up 66.9%, largely on account of higher shipment volumes. Domestic agricultural output remained modest at 1,313.0 tonnes; however, this represented a 5.3% increase, indicating stabilization following earlier supply constraints. Overall, agriculture led the recovery in the second half of 2025, underscoring the importance of continued support for productivity enhancements, climate resilience, and improved market access. In contrast, marine sector performance weakened over the same period. Export volumes declined to 395.3 metric tonnes, a 37.6% decrease, while export earnings fell markedly to \$0.6 million, contracting 34.2%. Local marine production remained broadly unchanged at 53.0 metric tonnes, increasing marginally by 0.9%, indicating limited recovery in domestic harvesting activity. The weak export outturn highlights the sector’s continued exposure to operational constraints and subdued external demand, reinforcing the need for diversification and strengthened sector resilience.

Services sector activity remained resilient, supported by sustained external inflows and household demand, despite weaker trade-related indicators. Between July 2025 and November 2025, container registrations declined by 1,263 containers (21.4%) to 4,645

⁶ **Remittance Loss Projections:** The Impact of the Return of Undocumented Tongan Nationals from the US, NRBT Working Paper, January 2026.

containers, signaling softer goods movement and subdued import demand. In contrast, vehicle registrations increased by 10.4% to 1,926 units in the first half of FY2026, suggesting continued household and business spending on durable goods. This trend is expected to be influenced by the import restrictions on older model vehicles effective in 2026, which may shift demand toward newer units and alter future registration patterns. In the first half of FY2026, travel receipts rose by 10.5% to \$105.5 million, reflecting sustained tourism demand, while remittance inflows increased by 10.4% to \$311.4 million, providing ongoing support to household incomes and consumption. Migration flows also shaped services activity, with Tonga recording 67,695 arrival passengers between July–December, largely from New Zealand and Australia, reinforcing reliance on remittances and highlighting the sector’s role as a buffer for the economy. Overall, the services sector continued to underpin domestic demand and support growth momentum.

Industrial activity remained broadly stable, underpinned by ongoing construction and higher energy usage. Construction momentum was supported by major public infrastructure projects, including hospital developments, government facilities, and the Queen Salote Wharf maintenance, alongside continued residential construction. Electricity consumption increased by 4.7% to 32.6 million kWh, while electricity production rose by 11.4% to 36.2 million kWh, reflecting sustained demand from infrastructure-related activity. In December 2025, lending to quarrying and mining expanded slightly by \$0.1 million (62.9%) compared to December 2024, indicating continued demand for construction materials. The number of electricity consumers increased by 105 consumers (0.4%) compared to November 2024, suggesting that growth was driven primarily by ongoing projects rather than new developments. Overall, construction activity remained steady, contributing to broader economic stability.

Labour market conditions improved modestly during the review period, with advertised job vacancies increasing by 5.7% to 464 positions in the first half of FY2026. The increase was driven by steady activity in construction, services, and agriculture, reflecting ongoing demand for skilled labor. However, labour shortages and skills mismatches persist, influenced by outward migration of over 2,300 persons between July–December 2025, largely to New Zealand and Australia, underscoring the impact of labor mobility on domestic workforce availability and reinforcing the need for targeted workforce development and training initiatives.

The NRBT projects a baseline growth of 2.0% for FY2027, driven by spillover effects from the expected development initiatives and annual national events across both public and private sectors. Major projects underpinning this outlook include the Fanga’uta Lagoon Bridge, Tonga Resilience Climate Project II, the Fua’amotu Airport Upgrade, Vava’u Hospital, new parliament building, and the bio-gas production project, among others. However, risks to the forecast remain significant. Heightened uncertainty in global economic policies and shifting dynamics in major economies pose external challenges, while domestic vulnerabilities such as potential political disputes, adverse

weather conditions including the current cyclone season, prolonged labor availability challenges present notable downside risks.

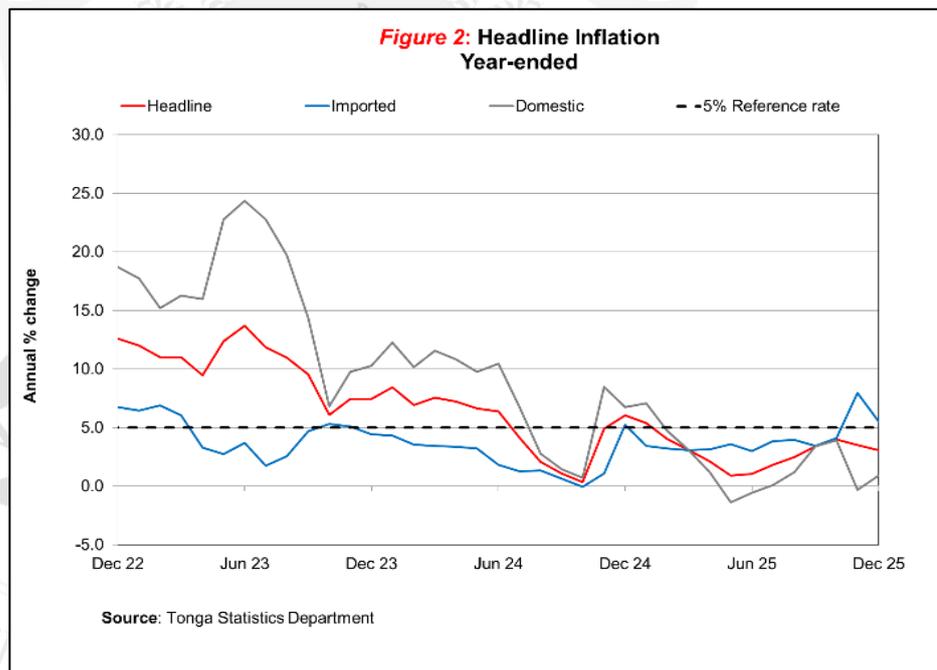
Key structural reforms to unlock growth potential are critical to reverse the economy’s growth trajectory. Effective management of Tonga’s economy requires strong coordination between fiscal and monetary policy, while fully preserving NRBT’s operational independence. Monetary policy safeguards price and external stability. Fiscal policy addresses structural constraints, public investment, and supply-side pressures. Working in alignment, both policies can better towards (i) Ease cost-of-living pressures and stabilize prices; (ii) Remove barriers to productive investment; (iii) Improve the efficient allocation of resources, including labour; and (iv) Strengthen resilience to climate risks, geographic isolation, and global uncertainty.

Institutions must be equipped with the necessary tools and means to deal with Tonga’s geographical barriers, impacts of climate change, modernization, and uncertainties that come with globalization.

b. Inflation

Tonga’s headline inflation remained below the 5% reference rate since the August 2025 MPS.

In the second half of 2025, price increases broadened and imported costs notably trended upward, driving inflation to 4.0% in October 2025. However, the latest data for December 2025 indicates a slowdown, with inflation easing to 3.1%, supported



by improvements in local food prices and continued favorable energy costs. In the first half of FY2026, headline inflation averaged 3.0%, compared with 3.1% in the same period in FY2025.

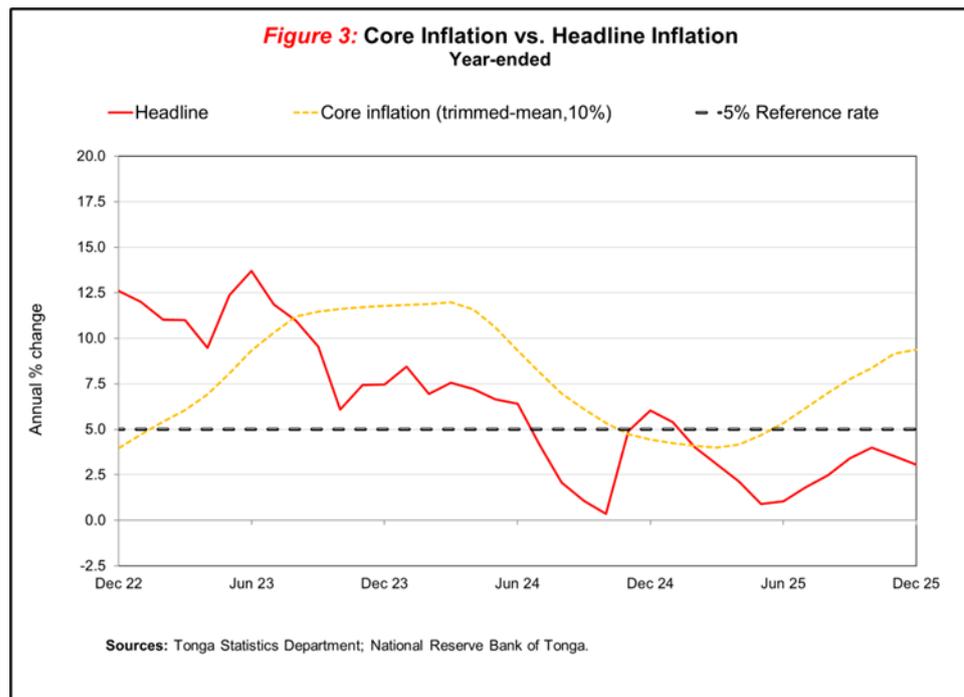
Import inflation continued to outpace domestic inflation in the second half of 2025, reflective of the market volatility and heightened uncertainty following tariff shocks. Import inflation reached a growth rate of 8.0% in November 2025, hitting its highest level since November 2022. In December 2025, import inflation slowed down to 5.5%. The surge was largely attributed to rising costs in food items, goods for personal

care, clothing & footwear, passenger transport services (international airfares), and household appliances, while the dampening effect of lower fuel prices was comparatively marginal. In December 2025, Brent Crude Oil averaged at US\$61.59/barrel, a decline from US\$73.08/barrel in December 2024. Although global price movements and exchange rates generally supported lower oil prices, technical disruptions to Tonga's supply logistics created domestic fuel shortages, sparking consumer panic and spiked spending on fuels. Amidst these disruptions, retail petrol prices remained unchanged for three consecutive months since October 2025, and retail diesel prices remained unchanged for five consecutive months since August 2025. Tonga's import inflation remains highly vulnerable to global trade turbulence, particularly tariff announcements and policy shifts among major economies. On average basis, import inflation rose to 4.8% between July and December 2025, compared with just 1.6% in the same period of 2024.

Energy prices remained favourable yet supply disruptions and persistent imported input costs pressured domestic production and prices. In the first half of FY2026, domestic prices reached a high of 3.9%. However, domestic prices fell slightly to 0.9% in December 2025, largely reflecting favourable movements in local food prices compared to December 2024. This is reflective of the improved harvest season and supply along with favourable weather conditions that support the sectoral activities. Local food items remain the primary driver of domestic price movements, accounting for approximately 17.5% of the Consumer Price Index (CPI) basket. They are vegetables, tubers, plantains, cooked bananas and pulses. While this has helped ease inflationary pressures over the year, the supply conditions remain vulnerable to the current cyclone season and other natural hazards. In addition, the upcoming festive season and annual church events are expected to exert upward pressure on local food prices and related food services. Food price volatility highlights the influence of unregulated market forces, as informal markets prevail and formal price controls are absent. Meanwhile, other domestic productions are particularly susceptible to the potential pass-through effects arising from import inflation and other demand shocks. On average, domestic prices rose by 1.5% in the first half of FY2026, marking a slowdown compared to the 4.5% average growth recorded during the first half of FY2025.

Core inflation has remained persistently above the 5% reference rate since December 2024, hitting 12.2% in November 2025 before easing to 9.0% in December 2025. Domestic items accounted for the bulk of core inflation, contributing around 6.1 percentage points (pps), driven mainly by food and beverage serving services, kava Tonga, tobacco, and passenger transport services. Imported inflation contributed approximately 2.9 pps, reflecting higher costs of goods for personal care, clothing & footwear, passenger transport services, furniture and household items, and vehicle purchases. High core inflation remains sticky, reflecting persistent domestic demand and cost pressures. Given ongoing trade turbulence, prices continue to show rigidity, underscoring the lingering of inflationary risks. NRBT analysis confirms domestic cost

pressures are contributing to the price volatility although external factors remain dominant. The working paper⁷ previously tabled examined cost structures of selected imported goods. A deeper cross-section analysis of petroleum, poultry, dairy, and construction



materials shows that while import prices drive baseline movements, domestic factors such as business margins and local logistics costs play a secondary but noticeable role in price volatility.

A third NRBT Working Paper⁸, covering twenty (20) commodities, further supports this finding. All but two commodities became more expensive in “time price” terms. Notably, domestically produced goods increased more rapidly over the period assessed, and several imported goods recorded declining time price. This divergence highlights the role of domestic cost structures in sustaining inflationary pressures.

Following the Board’s request, NRBT assessed whether Consumption Tax (CT) and related wholesale and retail taxes are significant drivers of price volatility. The analysis concluded that taxation does not materially contribute to inflation under the current structure. A significant inflationary impact would arise only in the event of (i) an increase in tax rates; or (ii) a structural change to the Consumption Tax framework. Accordingly, current inflation dynamics are primarily influenced by external shocks and domestic cost pass-through, rather than existing tax settings.

On the outlook, the baseline forecast anticipates inflation to trend upward in the first half of year 2026, with a likelihood of exceeding the 5% reference rate. While potential risks to the outlook are evident, the magnitude of their impact remains uncertain, and the duration of their effect on inflation will depend on that magnitude. Short-lived seasonal demand shocks such as the upcoming celebratory season may cause only temporary pressures. Policy uncertainties and ongoing geopolitical tensions

⁷ **Cost Structure of Selected Imported Goods to Tonga:** Assessment of Pricing Structures in Imports, NRBT Working Paper, January 2026 using 2024 Surveyed Data.

⁸ **Time Price Perspective on Inflation:** Comparing the Real Cost of Goods in Tonga 2016 - 2024, NRBT Working Paper, January 2026.

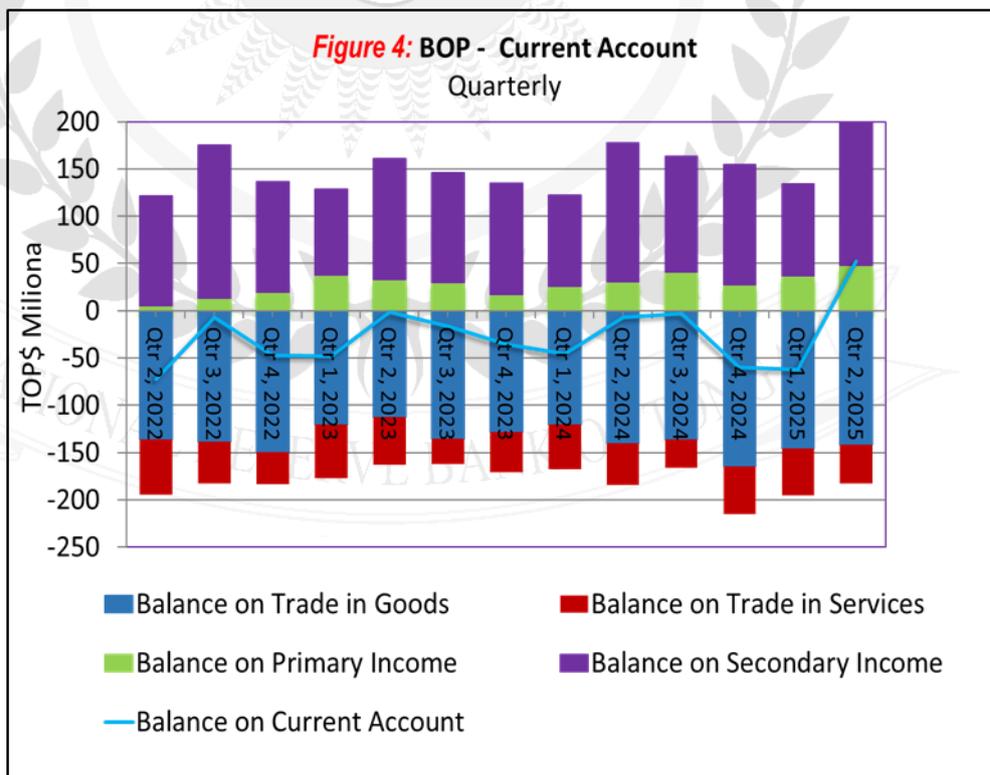
could reignite inflationary pressures that may sustain inflationary effects over a longer period. Tonga’s geographical remoteness and the possibility of higher transportation costs amid ongoing trade turbulence, together with supply chain vulnerabilities and the high risk of natural hazards, further heighten uncertainty in the outlook. Nevertheless, global headline inflation is projected to slow to 3.8% in 2026 and 3.4% in 2027, according to the World Economic Outlook Update (January 2026). This global moderation is expected to pass through to import inflation, albeit with lags.

The Reserve Bank is currently undertaking initiatives to modernize its monetary policy tools to strengthen transmission in pursuit of its price stability objective.

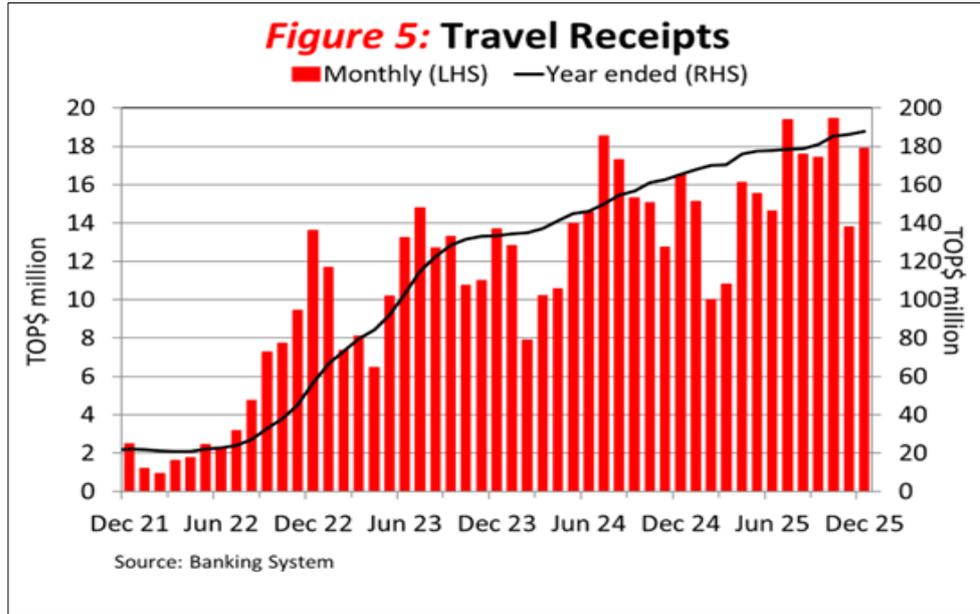
Concurrently, monitoring the development in both the international and domestic economies will continue, to ensure that any potential pass-through effects and external shocks that could influence price stability are mitigated. The Reserve Bank is seeking closer collaboration with the Government to align monetary and fiscal policies designed to curb inflation and boost economic growth.

c. External sector

According to the latest Balance of Payment report released by the Statistics Department, Tonga’s current account recorded a surplus of \$52.4 million in the second quarter of 2025, an increase of \$114.2 million from the \$61.8 million deficit in the previous quarter. This was primarily driven by secondary income credits and debits, mainly from a record high of over \$217.7 million in foreign aid and remittances. Despite the surplus recorded in the second quarter, the current account deficit for the year ended June 2025 widened by 20.0% to \$57.9 million, indicating ongoing external sector pressures over the longer term. This was driven by widening deficits in the trade of goods and services accounts, which increased by 13.0% and 24.7% respectively from higher outflows for imports and service-related transactions.



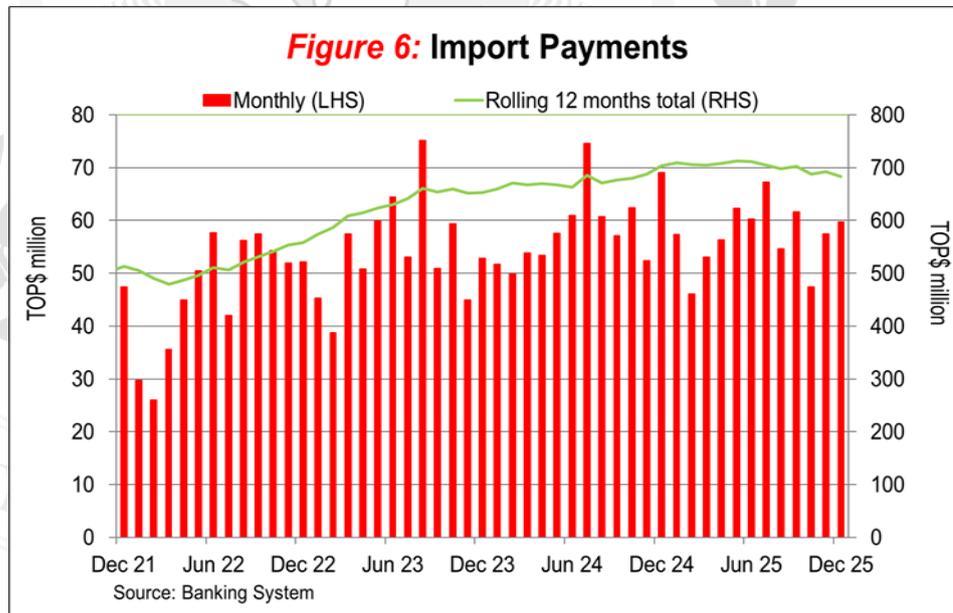
The Balance of Payments in Tonga continues to reflect the nation's reliance on imports, a narrow export sector, remittances, and foreign aid. These dependencies expose the



economy to external shocks that can strongly affect inflation and growth. The NRBT also monitors the following high-frequency performance indicators sourced from its Overseas Exchange Transactions (OET) data, to assist with the assessment of the external sector.

Foreign exchange inflows increased by 14.4% over the year to December 2025, predominantly due to higher services and interbank transfers receipts. Financial

transfer receipts increased by 38.6% to \$355.0 million over the year to December 2025, driven mainly by higher interbank transfers receipts. Service receipts remained upbeat, underpinned by increased inflows from professional and



management, construction, and telecommunication services. Travel activities remained vibrant throughout the year to December 2025, with receipts increasing by 13.5%. This coincided with annual conferences, national celebrations and holiday festivities. Receipts of development funds for non-profit organizations continued to contribute positively to foreign exchange inflows. Meanwhile, remittances rose by 8.6% over the year, on the back of higher financial support from families abroad. Export receipts also

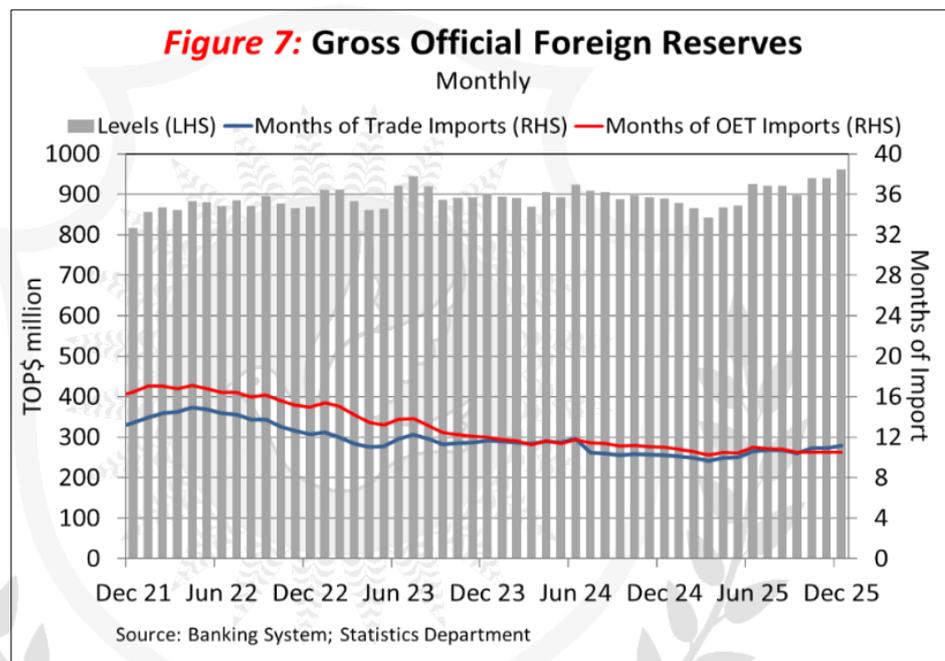
increased by \$4.1 million, owing mainly to higher agricultural exports, reflecting favorable sector performance during the year.

Payments for services and private transfer drove the higher foreign exchange outflows. Foreign exchange outflows rose by 2.5% over the year ended December 2025. Professional services and construction service payments to overseas contractors surged, mainly due to the building of the Fanga’uta Bridge. Families also sent more support abroad, amplifying the flow. Together, these forces lifted service payments by 19.9% and private transfers by 35.5%. These partly offset a decline in import payments by 2.9%, largely for Government imports and oil.

d. Foreign Reserves

Foreign reserves remained above minimum thresholds, supporting Tonga’s external stability. Tonga’s official foreign reserves

increased by \$72.7 million over the year to \$961.7 in December 2025, sufficient to cover 11.2 months of imports. This level is well above the IMF’s recommended benchmark of 7.5

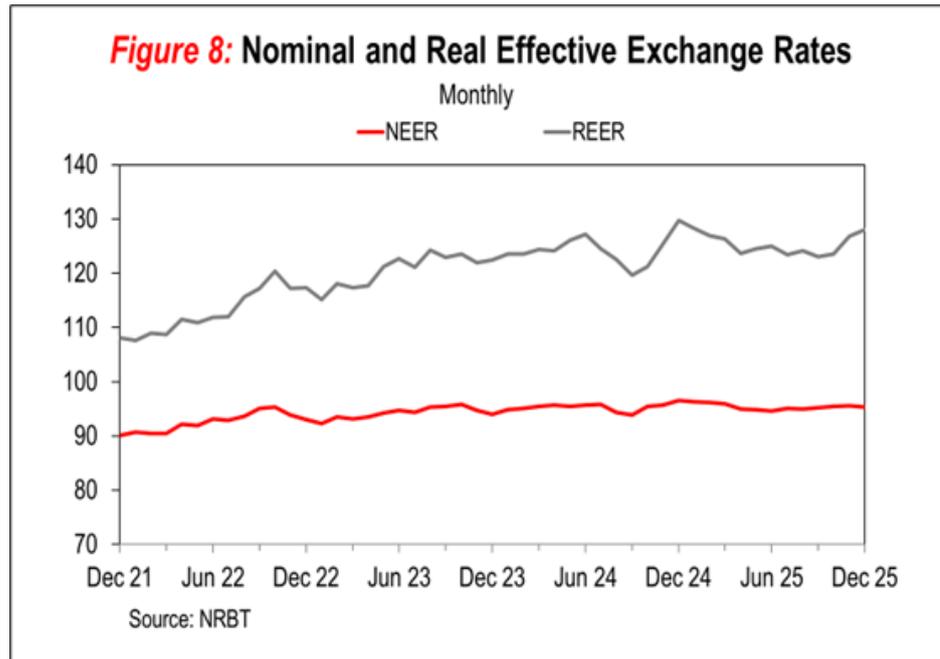


months and the NRBT’s minimum threshold of 3-4 months. The increase in reserves reflects inflows of budgetary support, official grants and remittances over the year, reinforcing Tonga’s external resilience and capacity to safeguard economic stability.

Tonga’s nominal exchange rates strengthened against most of its major trading currencies during the review period. The Nominal Effective Exchange Rate (NEER) appreciated slightly by 0.7% over the six months to December 2025, as the Tongan Pa’anga (TOP) appreciated against the NZD, JPY and GBP. Similarly, the Real Effective Exchange Rate (REER) increased by 3.3%, in line with the higher NEER. However, both the NEER and REER declined over the year by 1.3% and 0.4% respectively, underscoring the dynamic nature of external sector conditions and the influence of inflation differentials across trading partners. NRBT is working closely with

the IMF in the review of the currency basket to ensure it aligns with market fundamentals.

Foreign reserves is expected to remain above the minimum threshold in the near term on the back of high budget support, official grants and remittances.



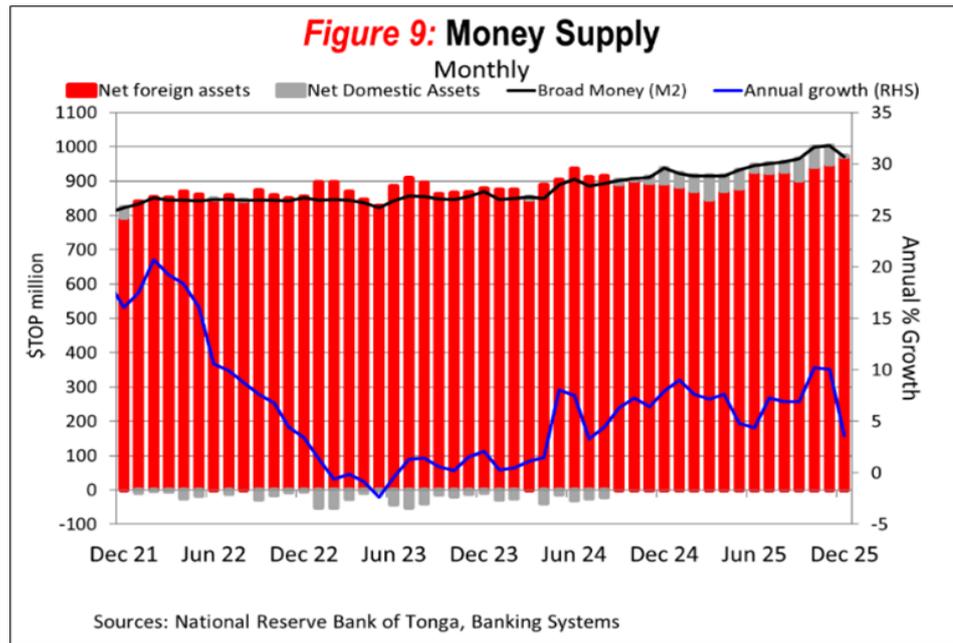
However, import payments are expected to increase for the ongoing public infrastructure projects, while offshore investments, and debt servicing obligations, including the repayment of the Export – Import Bank of China (EXIM) loan will continue to exert pressure on foreign reserves in the near to medium term. Furthermore, remittances in the medium term may be impacted by US policies targeting remittances activities and the repatriation of undocumented immigrants. Also, there may be reduction in the number of seasonal workers in the medium term and by consequence remittances as our trading partners open up the working opportunities to the global market. The Reserve Bank continues to prioritise safeguarding of foreign reserves to maintain external stability, facilitate international trade and to protect the exchange rate peg.

e. Monetary Sector

The banking system remained sound over the year to December 2025, supported by strong liquidity, solid capital buffers, and sustained profitability. The issuance of NRBT Notes helped absorb excess liquidity while maintaining conditions conducive to credit growth. Capital positions stayed well above prudential requirements, with some improvement evident in non-performing loans. Profitability was robust, with return on equity rising to 14.2% (from 11.3% in December 2024) and return on assets increasing to 2.6% (from 2.1%), reinforcing overall resilience across the financial system.

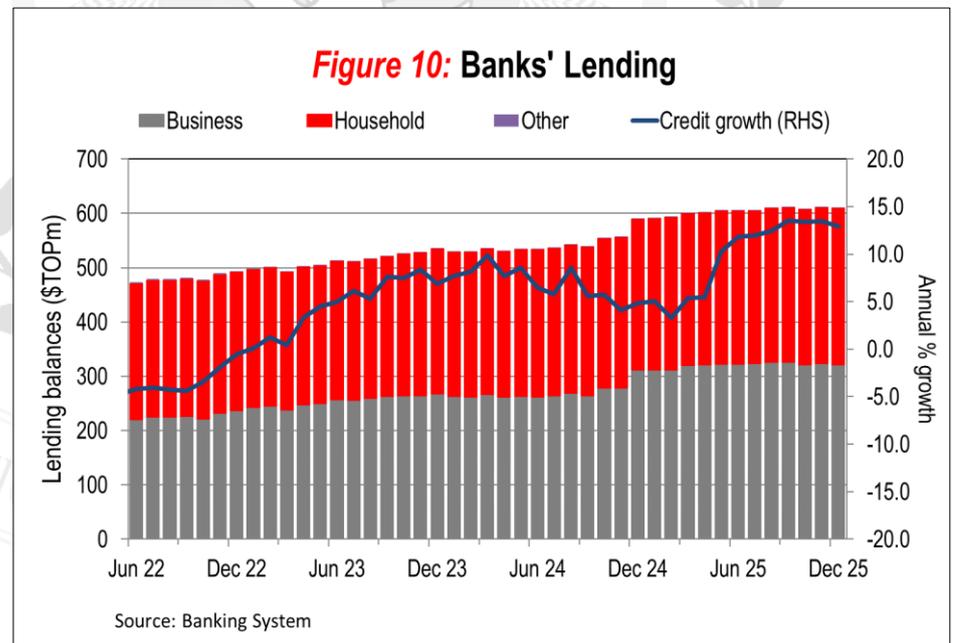
Money supply expansion remained anchored in foreign reserves, sustaining a robust liquidity position. Broad money growth, which had peaked at \$1,002.5 million in November 2025, moderated to \$971.3 million in December as the maturity of Reserve Bank notes absorbed excess liquidity. This level represented a rise of 2.7% (\$25.4 million) from June 2025 and 3.6% (\$33.8 million) compared to December 2024. The annual expansion was driven entirely by higher net foreign assets, reflecting increased foreign reserves. In contrast, net domestic assets contracted, underpinned by reduced

net credit to the central government mainly on higher government deposits and higher capital accounts. Reserve money climbed to a record \$656.7 million in December 2025, up 4.1% (\$25.7 million) from June and 3.9% (\$24.7 million) from



December last year. This increase corresponded to higher currency in circulation, statutory reserve deposits, and other deposits, which more than offset declines in Exchange Settlement Account balances.

Credit growth remained resilient in December 2025, with banks' total lending reaching a new peak of \$611.8 million in November before easing slightly to \$610.4 million in December yet still recording firm annual growth of 3.5% (\$20.6 million) and a six-month growth from June 2025 of 0.9% (\$5.2 million). Annual growth was driven primarily by household lending, with increases across all categories,

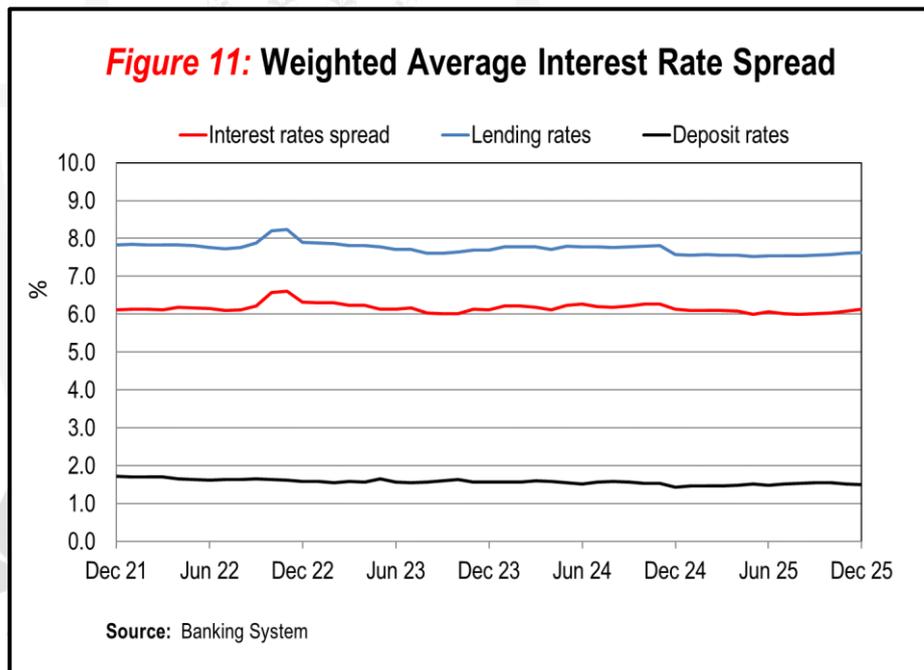


complemented by higher business lending from private firms within the professional and other services, construction, and distribution sectors. While June marked a period of robust double-digit expansion, the six-month movement to December reflected a more moderate yet still resilient credit growth trajectory, confirming that overall lending activity continued to support business confidence and sustained economic recovery throughout 2025.

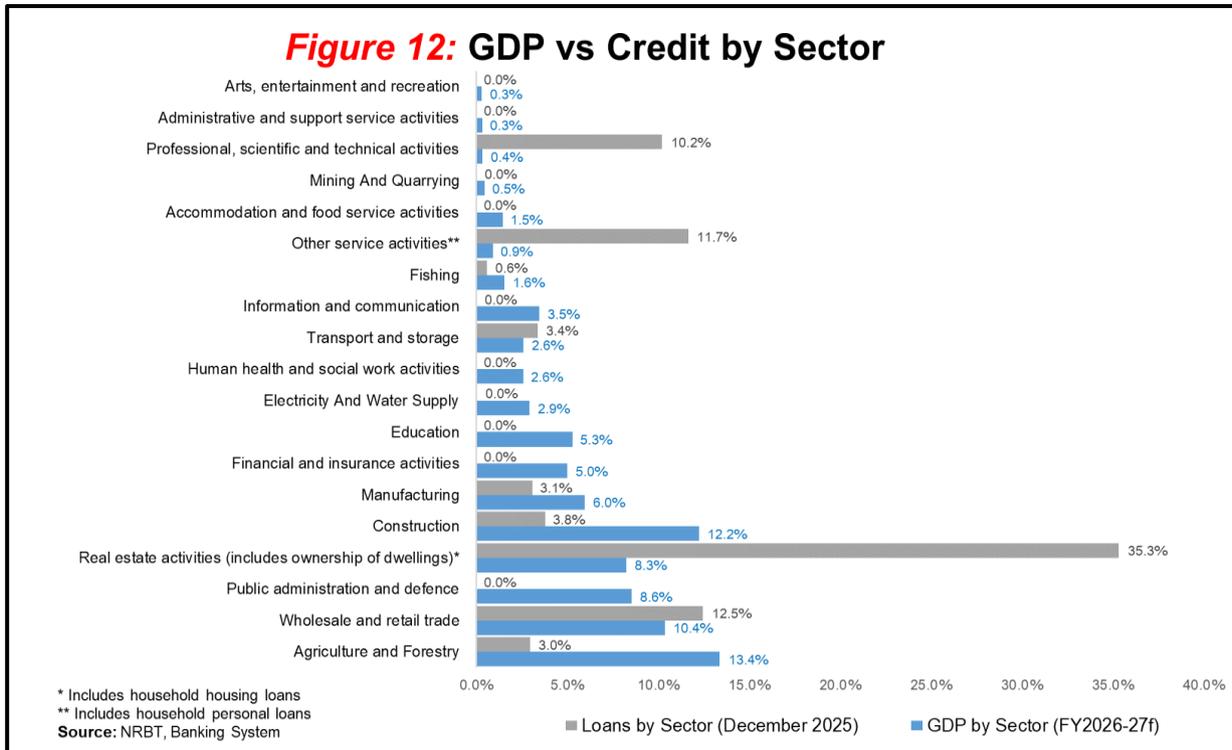
The NRBT began issuing NRBT Notes to commercial banks in September 2025, reducing excess liquidity from \$309 million in June to \$280 million in December. While credit growth increased and remained resilient at year end, excess liquidity remained high due to limited investment opportunities and an inactive interbank market. This continued to weaken monetary policy transmission, constraining the Reserve Bank’s ability to influence interest rates and inflation.

Credit growth is anticipated to remain robust in the near term and towards the end of FY2026, supported by the ongoing economic recovery and stronger business confidence. Rising investment appetite is likely to generate additional employment opportunities, further sustaining demand for credit. Government measures to promote private sector development, including higher allocations for Government Development Loans and the ADB Local Bond issuance, are also expected to underpin credit expansion. These developments may help absorb excess liquidity in the financial system while supporting stable lending interest rates.

The weighted average interest rate spread in December 2025 held steady at 6.1%, narrowing only marginally by 0.7 basis points over the year, despite a notable widening of 6.6 basis points since June 2025. The annual decline reflected deposit rates rising slightly faster (6.8 basis points) than lending rates (6.1 basis points), signaling a more stable interest rate environment at year end. The increase in deposit rates was driven solely by higher demand deposit rates, alongside lower deposit volumes, while the rise in lending rates stemmed from higher rates offered to financial corporations, public enterprises and private businesses within the mining and quarrying, professional and other services,



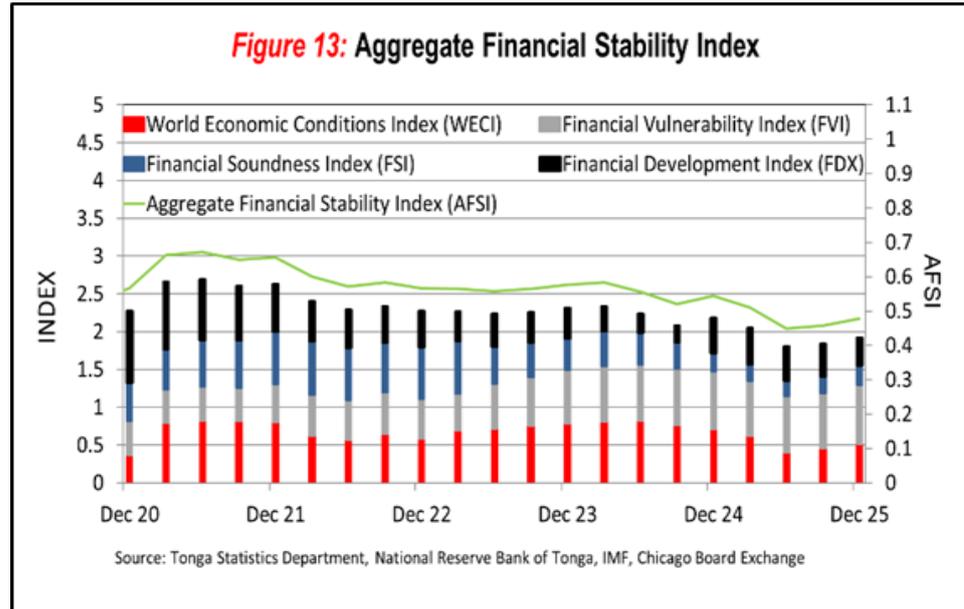
manufacturing, and distribution sectors, as well as households for housing and personal loans.



Despite continued expansion in bank lending, structural barriers continue to limit access to finance for several priority growth sectors of the economy. Agricultural, fisheries, construction, and manufacturing sectors remained relatively underserved due to persistent constraints such as land administration delays, limited availability of eligible collateral, lack of credit history, and high risk premiums, many of which lie outside the direct control of the Reserve Bank. Nevertheless, the Reserve Bank continues to advocate for close collaboration with relevant Government agencies to advance structural reforms that would enhance credit access, lower borrowing costs, and stimulate investment from both domestic and foreign sources. Key initiatives include the establishment of sector-specific concessional lending facilities, the introduction of a partial credit guarantee scheme with the ADB and IFC, the enactment of the Credit Registry Bill and development of an in-house credit registry, as well as broader efforts to promote private sector development.

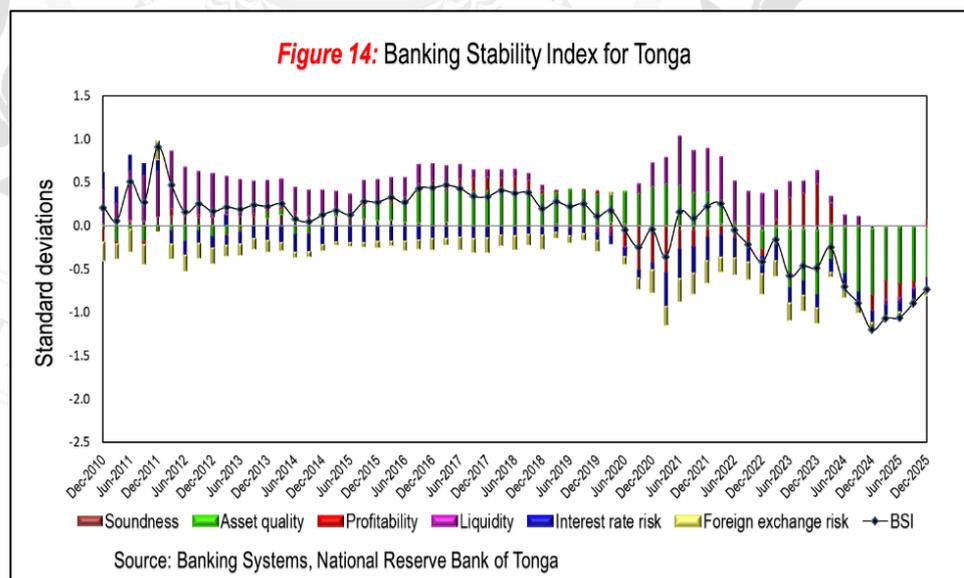
Persistently high asset quality risks underscore the need for strengthened supervisory oversight of financial institutions. The non-performing loans (NPLs) to total loans ratio improved marginally to 14.4% in December 2025, from 14.6% in the same period last year. This improvement mainly reflects the upgrade of a large exposure following the completion of a 12-month restructuring period, during which compliance with revised contractual obligations was closely monitored. Going forward, the Reserve Bank will continue to closely monitor asset quality developments and lending standards to mitigate the build-up of financial sector risks.

Tonga's financial stability remains intact, though rising policy uncertainties and external shocks require caution. The Aggregate Financial Stability Index rose slightly by 0.03 points between June and



December 2025 but declined by 0.06 points over the year. This deterioration reflected weaker outcomes in the Financial Development Index (FDX) and the World Economic Conditions Index (WECI), which outweighed moderate gains in the Financial Soundness Index (FSI) and the Financial Vulnerability Index (FVI). The slowdown in the FDX was driven by GDP growth outpacing total lending, while the lower WECI was largely the result of a higher World Uncertainty Index, highlighting pressures from trade, debt, and energy challenges. On the positive side, the FSI benefited from stronger capital-to-risk weighted assets and improved NPL ratios, offsetting weaker liquidity, while the FVI gained support from favourable movements in the current account, public debt, and net exports relative to GDP.

Tonga's banking stability demonstrated resilience, but vulnerabilities persisted. The Banking Stability Index increased by 0.3 points over the six months to December 2025 and by 0.5 points over the year.



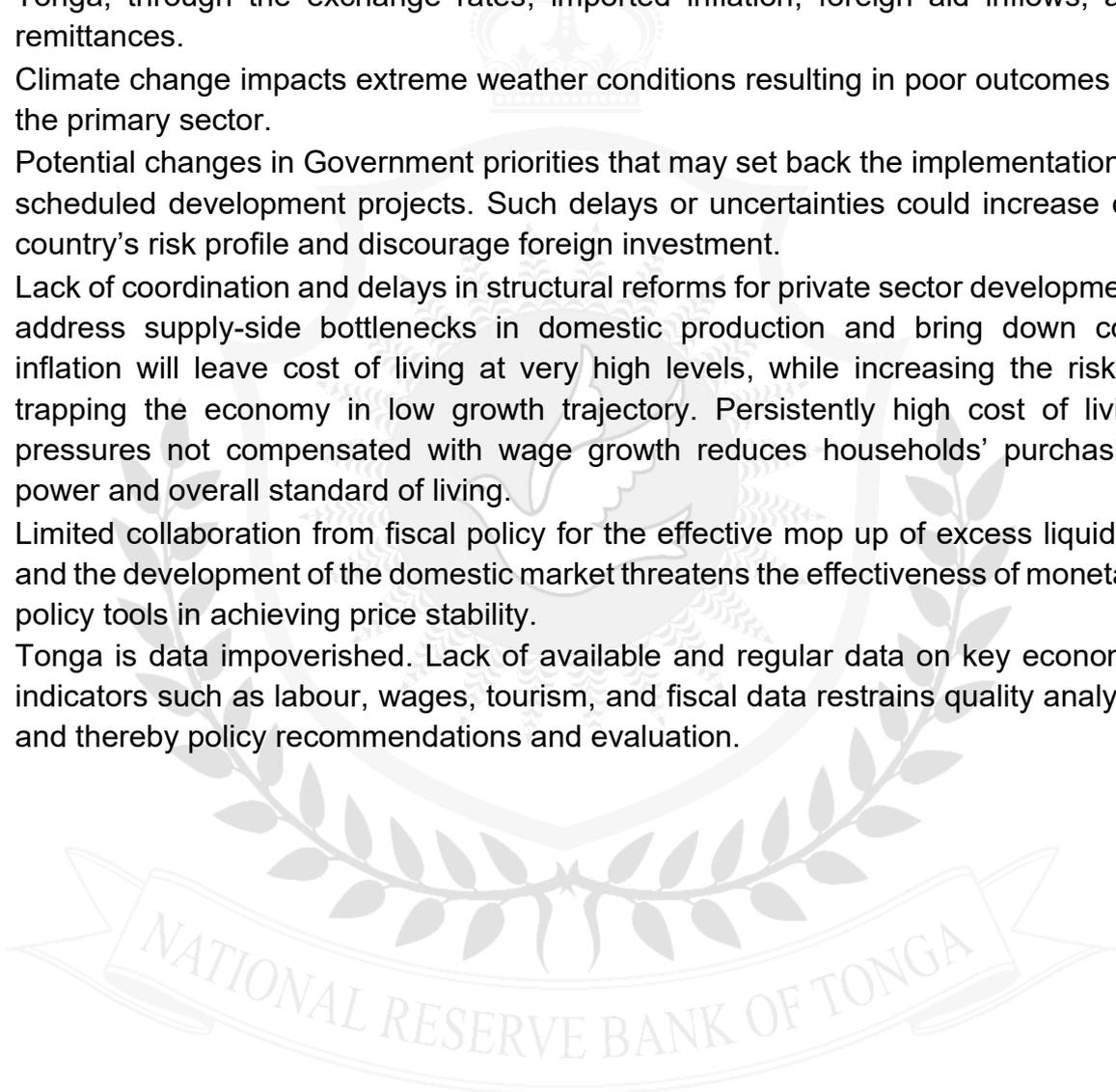
Capital adequacy, asset quality, and interest rate risk all improved, though each carried negative impacts that limited their overall contribution to stability. Profitability strengthened, providing some support, but liquidity weakened and foreign exchange risk worsened, weighing heavily on the sector. These movements indicate that while

Tonga's banking system made progress in certain fundamentals, vulnerabilities remain, particularly in liquidity and currency exposures.

f. Key Challenges

Key challenges that are outside of the Reserve Bank's control could potentially deter its efforts over the next six months to achieve its monetary policy objectives include:

- Escalating uncertainties in the global economy from geopolitical tensions and trade developments can have significant spillover effects on small vulnerable states like Tonga, through the exchange rates, imported inflation, foreign aid inflows, and remittances.
- Climate change impacts extreme weather conditions resulting in poor outcomes for the primary sector.
- Potential changes in Government priorities that may set back the implementation of scheduled development projects. Such delays or uncertainties could increase our country's risk profile and discourage foreign investment.
- Lack of coordination and delays in structural reforms for private sector development, address supply-side bottlenecks in domestic production and bring down core inflation will leave cost of living at very high levels, while increasing the risk of trapping the economy in low growth trajectory. Persistently high cost of living pressures not compensated with wage growth reduces households' purchasing power and overall standard of living.
- Limited collaboration from fiscal policy for the effective mop up of excess liquidity, and the development of the domestic market threatens the effectiveness of monetary policy tools in achieving price stability.
- Tonga is data impoverished. Lack of available and regular data on key economic indicators such as labour, wages, tourism, and fiscal data restrains quality analysis and thereby policy recommendations and evaluation.



Annex 3 - Monetary Policy Objectives

The Reserve Bank's principal objectives as laid out in Section 4 of the National Reserve Bank of Tonga Act, shall be to:

- 1) Maintain internal and external monetary stability.
- 2) Without prejudice to its principal objective, the Bank shall:
 - a) Promote financial stability, and
 - b) Promote a sound and efficient financial system.
- 3) Subject to subsections (1) and (2), the Bank shall conduct its activities in a manner that supports macroeconomic stability and economic growth.

Safeguarding macroeconomic stability requires addressing the imbalances in key macroeconomic variables in a sustainable manner, such as the foreign reserves and current account deficit, inflation, fiscal deficit and debt levels, and risks to employment, economic growth, and financial stability. This warrants policy trade-offs that must be carefully weighed to ensure the imbalances are manageable.

The Reserve Bank's monetary policy objectives are, therefore to promote price stability and maintain an adequate level of foreign exchange reserves in order to ensure internal and external monetary stability. Price stability entails low and stable inflation, which contributes to economic welfare, better economic performance, and sustainable economic development. Given Tonga's high dependence on imports and foreign aid, narrow export base, its small size, remoteness, and vulnerability to external shocks and natural disasters, it is crucial to maintain the foreign reserves at an adequate level to meet the country's foreign currency needs such as payments for imports and the Government's external debt obligations.

In meeting the monetary policy objectives, the Reserve Bank can most effectively contribute towards macroeconomic stability, sustained economic growth, and raised prosperity for Tonga.

In accordance with Section 50A of the National Reserve Bank of Tonga Act;

- 1) The Bank shall, at least every six months, publish a Monetary Policy Statement and submit a copy to the Minister.
- 2) The Statement in subsection (1) shall contain -
 - a) a review of economic developments and the conduct of monetary policy in the period since the previous Statement;
 - b) a statement of how the Bank intends to conduct monetary policy over the coming six months to achieve its objectives specified under this Act; and
 - c) a statement of any other development outside its control, which are adversely affecting, or may adversely affect in future, the successful pursuit of the Bank's objectives under the Act.
- 3) The Minister shall submit this monetary policy statement to the Legislative Assembly and Cabinet as soon as practicable.

Annex 4 - Monetary Policy Simplified

1. What does National Reserve Bank of Tonga (NRBT) do?

Its main role is to protect the value and stability of Tonga's monetary and financial system. NRBT's work affects prices of goods, interest rates on loans and savings, protect the value of the Tongan Pa'anga, and the overall health of the economy.

NRBT is unique because it is both a public authority and the central bank for Tonga, different from other public and private institutions because:

- i. NRBT has a sovereign responsibility to make important national policy decisions such as controlling inflation, issuing and protecting the Pa'anga, its value, and safeguarding financial stability. These are public duties carried out to serve national interests.
- ii. On the other hand, NRBT operates like a bank, a sovereign bank with a large and complex balance sheet as it manages reserves, issues currency, conducts monetary policy operations, lends to banks when needed and engages in both domestic and international financial operations.

2. How does NRBT Works?

- **Sets and implements monetary policy**
- Issues currencies and oversee national payment services
- Manages the exchange rate of the Pa'anga (TOP\$) and protecting its value
- Oversees foreign exchange markets, keeping enough foreign reserves (like USD, AUD, NZD) and ensuring Tonga can pay for imports and external obligations
- Supervises banks and non-bank financial institutions and reduces financial risks: anti-money laundering (AML/CFT) and financial crimes
- Promotes safe access to credit and affordability
- Monitors financial stability and support economic growth
- Act as the Government's Bank

3. Why Setting Monetary Policy Matter?

Monetary policy is how NRBT helps keep the economy stable, predictable, and resilient through management of the cost and supply of money in the Tongan economy by setting the exchange rates or the value of the Tongan pa'anga, setting the NRBT official interest rate and managing liquidity in the banking system. NRBT focus on (i) policy signal to keep inflation low and stable, (ii) protect Tonga's foreign reserves under the peg exchange rate, (iii) support financial stability, and (iv) create conditions for sustainable economic growth.

4. Why Monetary Policy Needs Modernization

For over 16 years, monetary policy in Tonga relied mainly on its exchange rate policy and controlling statutory reserve deposits (SRD). NRBT Notes Issues ceased for a long time to avoid costs whilst maintaining a floor rate i.e. zero policy rate to signal easing stance to support economic growth.

Over the years, reliance on exchange rate policies to maintain price stability became more expensive and banks accumulated large excess liquidity from unsterilized FX reserve accumulation that impeded monetary policy. Interest rates did not respond

properly to NRBT signals. As a result, the interest rate channel became weak and less effective. In practical terms, NRBT had less influence over the “price of money” and limited ability to steer liquidity conditions in the banking system. To strengthen the pegged exchange rate and restore policy effectiveness, NRBT began modernizing gradually its policy framework since August 2025.

4.1. Shift to More Market Based Approach: NRBT is gradually shifting towards a system where liquidity is priced through interest rates, where banks actively manage their funds, and where NRBT policy signals are transmitted through the market to restore discipline and strengthen monetary control.

4.2. Reintroducing NRBT Notes: NRBT resumed issuing short-term Notes to absorb excess liquidity aiming to achieve full absorption. This helps to reduce surplus cash in the banking system, provides banks with a safe domestic investment option, and restore proper interest rate signaling to regain control over system liquidity. This is a key step in moving to more active liquidity management.

4.3. Strengthen Transmission: When monetary policy works, changes in NRBT’s policy rate influence interbank rates, deposit and lending rates adjust more predictably, and credit conditions reflect real economic conditions. To support this, NRBT is also strengthening the following as building blocks of the monetary system:

- a) The design of the currency basket under the peg
- b) The Statutory Reserve Deposit framework
- c) Short-term liquidity forecasting
- d) Collateral and liquidity support policies
- e) Clear and consistent monetary policy rate communications

4.4. Balancing Stability and Growth: NRBT approach is not to restrict money unnecessarily. Its goal is to strike the right balance between containing inflation, protecting foreign reserves, supporting safe lending, and encouraging productive investment. Simply increasing money does not create growth. Sustainable growth comes from productive investment supported by stable financial conditions.

5. Why NRBT Monetary Policy Matter for the People of Tonga

The modernization of monetary policy marks a clear shift to active market-based management of liquidity. This strengthens NRBT’s ability to control inflation, protect the exchange rate peg, safeguard foreign reserves and support long-term economic stability and growth for Tonga.

Progress under this framework will be monitored monthly, with developments formally assessed and reported in NRBT’s biannual Monetary Policy Statements (MPS) to ensure relevance, transparency, accountability, and continuous improvement.

For more information, click <https://www.reservebank.to/> and the link: <https://www.imf.org/en/publications/technical-assistance-reports/issues/2025/06/18/tonga-technical-assistance-report-modernizing-the-monetary-policy-framework-and-operations-567754>